Company Registration No. 2778358

# BMG FM Music Limited (formerly Rosetta FM Limited)

## Reports and Financial Statements

**Period 1 April 2013 to 31 December 2013**

# BMG FM Music Limited (formerly Rosetta FM Limited)

## Report and financial statements 2013

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# BMG FM Music Limited (formerly Rosetta FM Limited)

## Report and financial statements 2013

## Officers and professional advisers

**Directors**

Mark Ranyard
Hartwig Masuch
Maximilian Dressendoerfer
John Dobinson
Alexi Cory-Smith

**Secretary**

Julian French

**Registered Office**

33 Wigmore Street
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**Solicitors**

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1-4 Warwick Street
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**Independent Auditors**

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
1 Embankment Place
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# BMG FM Music Limited (formerly Rosetta FM Limited)

## Strategic report

The directors present the Strategic report for the eight month period ended 31 December 2013 for BMG FM Music Limited (formerly Rosetta FM Limited) (the "Company")

**Business review**

On 31 December 2012, an agreement for sale was reached between Famous Music Publishing Limited and the BMG Rights Management Group The sale completed on 15 May 2013 Following the acquisition the accounting reference date was changed from 31 March to 31 December These financial statements therefore relate to the eight month period from 1 April 2013 to 31 December 2013

On 13 May 2013 the Company changed its name from Famous Music Publishing Limited to Rosetta FM Limited On 16 May 2013, the name was changed from Rosetta FM Limited to BMG FM Music Limited

BMG FM Music Limited (formerly Rosetta FM Limited) is the United Kingdom subsidiary of BMG Rights Management (UK) Ltd ("BMG UK") BMG FM Music Limited (formerly Rosetta FM Limited) owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use It additionally contracts as a sub-publisher for collection and transfer of monies to other affiliated companies within the BMG Group

**Strategy**

The Company is part of an international group of companies focused on the management of music rights The Company covers the entire range of rights administration, development and exploitation, placing the needs of songwriters and artists at the core of its business model The Company has established a presence in its core music markets and now represents rights to numerous songs and recordings At the core of the Company's strategy is delivering a high quality rights administration service to artists and writers

**Business performance**

As shown in the Company's Statement of Comprehensive Income on page 10, the Company reported revenues of £1 008,000 (year ended 31 March 2013 £3,989,000) and gross profit of £274,000 (year ended 31 March 2013 £764,000) The operating loss was £596,000 (year ended 31 March 2013 operating profit of £329 000)

**Key performance indicators**

The directors monitor the Company's performance in a number of ways including key performance indicators such as reported revenue, gross profit/net publisher s share (revenue received by a music publisher less and royalties payable), operating loss (Earnings Before Interest and Taxes, 'EBIT") and EBITDA (as adjusted for depreciation and amortisation) The Company is financed through intercompany funding from its group parent companies and through equity

**Principal risks and uncertainties**

There are a number of market and business risks that could affect the Company We set out below the Company's view of the main risks which could materially and adversely affect the Company's business, financial condition and return to stakeholders, should any actually materialise Further risks and uncertainties which are not presently known to the directors at the date of this document, or that the directors currently deem less significant, may also have an adverse effect on the business, financial condition or results of the group

**Market risks**

*Global economic outlook*

The Company received income from worldwide sources and is susceptible to changes in the global economy Failure to adjust to changes in the global economy could have a material adverse effect on the Company's business The Company is part of a broader group of rights administration companies which are actively building a business presence in the European, US and UK territories as a strategy to diversify this risk

## BMG FM Music Limited (formerly Rosetta FM Limited)

## Strategic report (continued)

*Music industry growth*

The recorded music industry is experiencing a period of on-going financial challenge due to the changing means by which consumers choose to access music, retail piracy, industrial piracy and a corresponding decline in the sale of physical product, which may not be offset completely by new digital and internet based revenue streams

Intense competition in the music industry could result in higher artist and writer acquisition costs or failure to attract and retain key talent Such competition may affect customer choices and options available to them for music publishing and administration contracts These changes could materially and adversely affect the business of the Company

*Music industry regulatory and business legal risk*

The music publishing industry is regulated, with mechanical and performance royalty rates set by industry bodies, over which the Company has no control Any significant change to the payment structures operated within the music industry or any decrease in current mechanical or performance royalty rates could have a material adverse effect on the Company's business Also, future copyright royalty rate arbitration and other industry wide regulations can change the relationships between record labels, artists and music publishers/writers Such change in regulations could materially and adversely affect the business of the Company Copyright royalties are either collected or controlled by third parties, such as collection societies, ceding control over royalty collections to such entities This diminishes control and might result in lower revenues, if collection fees were revised upwards or collection scope was narrowed, thus affecting the business of the Company

**Business risks**

*Failure to fully exploit organic and acquisition growth opportunities*

If the Company fails to keep pace with industry trends and developments, it may experience competitive disadvantage, which may result in lower margins and loss of market share Failure to directly or indirectly exploit new growth areas, such as the use of music individual media, could have a material adverse effect on the Company's business The future success of the Company therefore depends on the successful implementation of its growth strategy, both through signings and acquisitions

*Client retention and performance of releases*

The Company's prospects may be adversely impacted if the business fails to identify, sign and retain songwriters and artists and by the absence of superstar releases The decisions of potential clients to sign with the Company or decisions of existing clients to remain with the Company are complex and involve considerations of many factors As such it is uncertain how many new clients the Company will sign and what proportion of existing clients will extend their agreements Equally, the Company has no control over the release schedule of partnering record companies and the phasing of album releases can impact the Company's results on an annual basis

*Dependency on third party service partners and shareholder affiliates*

Emerging channels for music distribution could significantly change the operational setting/configuration and financial performance/returns in the businesses of recorded music and music publishing The Company relies on a number of third party business partners and shareholder affiliates to operate successfully These include sub-publishers, who support the Company in international rights management and license income collections

Additionally, the Company outsources information technology infrastructure, certain accounting, tax and human resources functions and other back-office functions to affiliates operating as service providers in the respective functions

## Strategic report (continued)

**Financial risks**

*Exchange rate fluctuation risk*

The Company transacts and accounts in local currency, which is converted into the Group reporting currency, creating an exposure to movements in foreign exchange rates The Company manages its foreign exchange exposure through matching of cash flows from investments, financing and operations The Company actively manages its residual foreign exchange exposures through use of foreign exchange forward instruments, as appropriate, to manage future foreign exchange rates

*Interest rate fluctuation risk*

The Company is financed through intercompany borrowings which bear interest at short-term LIBOR rates plus a margin The Company is therefore opposed to fluctuations in interest rates These exposures are not hedged

Approved by the Board of Directors
and signed on behalf of the Board

M Ranyard
Director

29 April 2014

# Directors' report

The directors present their report and audited financial statements for the period ended 31 December 2013 for BMG FM Music Limited (formerly Rosetta FM Limited) (the "Company")

**Principal activities**

The principal business of the Company during the period ended 31 December 2013 was music publishing

The Company's music publishing business can be summarised as an intellectual property business focused on the exploitation of the copyright of songs In return for promoting, placing, marketing and administering the creative output of a songwriter, the Company retains a share of revenues generated from use of the song The services described above are also carried out on behalf of other rights holders such as catalogue owners and other publishing companies

**Outlook**

The directors do not anticipate any significant changes in the activities of the Company

**Going concern**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements

**Directors**

The directors of the Company who were in office during the period and up to the date of signing the financial statements were as follows

Mark Ranyard (appointed 15 May 2013)
Hartwig Masuch (appointed 15 May 2013)
Maximilian Dressendörfer (appointed 15 May 2013)
John Dobinson (appointed 15 May 2013)
Alexi Cory-Smith (appointed 15 May 2013)
Guy Henderson (resigned 15 May 2013)
Martin Bandier (resigned 15 May 2013)
Joseph Puzio (resigned 15 May 2013)

**Dividends**

The directors declared a dividend of £92,000 during the period (March 2013 £298,000)

**Directors and officers insurance**

The Company maintains liability insurance for directors and officers of the Company

**Political and charitable contributions**

The Company made no political or charitable contributions or incurred any political expenditure during the current or prior period

# Directors' report

**Statement of disclosure of information to auditors**

Each of the persons who are a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company s auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP resigned as auditors on 13 May 2013 PricewaterhouseCoopers LLP were subsequently appointed

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditor and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

M Ranyard
Director

29 April 2014

## BMG FM Music Limited (formerly Rosetta FM Limited)

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

# Independent auditors' report to the members of BMG FM Music Limited (formerly Rosetta FM Limited)

We have audited the financial statements of BMG FM Music Limited for the period ended 31 December 2013 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss and cash flows for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

## Independent auditors' report to the members of BMG FM Music Limited (formerly Rosetta FM Limited)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 April 2014

## Statement of comprehensive income
## Period ended 31 December 2013

| | Notes | Period from 1 April 2013 to 31 December 2013 £'000 | Year ended 31 March 2013 £'000 Restated (Note 1) |
|---|---|---|---|
| Revenue | 2 | 1,008 | 3,989 |
| Cost of sales | | (734) | (3,225) |
| **Gross profit** | | 274 | 764 |
| Administrative expenses | | (870) | (435) |
| **(Loss)/profit from operations** | 3 | (596) | 329 |
| Investment revenue | 5 | 1 | 5 |
| Finance costs | 5 | (2) | - |
| **(Loss)/profit before taxation** | | (597) | 334 |
| Taxation | 6 | 139 | (80) |
| **(Loss)/profit for the period attributable to equity shareholder** | | (458) | 254 |

The accompanying notes are an integral part of this Statement of comprehensive income for the period ended 31 December 2013 and the Company did not have any items of other comprehensive income All results relate to continuing operations

## BMG FM Music Limited (formerly Rosetta FM Limited)

## Statement of financial position
## As at 31 December 2013

| | Notes | 31 December 2013 £'000 | 31 March 2013 £'000 Restated (Note 1) |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 7 | 2,453 | - |
| **Total non-current assets** | | 2,453 | - |
| **Current assets** | | | |
| Trade and other receivables | 8 | 1,654 | 1,933 |
| Cash and cash equivalents | 9 | 32 | 135 |
| **Total current assets** | | 1,686 | 2,068 |
| **Total assets** | | 4,139 | 2,068 |
| **Equity** | | | |
| Share capital | 12 | - | - |
| (Accumulated losses)/retained earnings | | (292) | 258 |
| Share premium | | 2,266 | - |
| **Total equity** | | 1,974 | 258 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 2,165 | 1,810 |
| **Total current liabilities** | | 2,165 | 1,810 |
| **Total equity and liabilities** | | 4,139 | 2,068 |

The accompanying notes are an integral part of this Statement of financial position

The financial statements of BMG FM Music Limited (formerly Rosetta FM Limited) registered number 2778358 were approved by the Board of Directors on 29 April 2014

Signed on behalf of the Board of Directors

M Ranyard
Director

## BMG FM Music Limited (formerly Rosetta FM Limited)

## Statement of changes in equity
## Period ended 31 December 2013

| | Share capital £'000 | Share premium £'000 | (Accumulated losses)/ retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| Opening shareholder's funds at 1 April 2012 | - | - | 302 | **302** |
| Profit and total comprehensive income for the year | - | - | 254 | **254** |
| Dividend paid | - | - | (298) | **(298)** |
| Opening shareholder's funds at 1 April 2013 | - | - | 258 | **258** |
| Share Premium | - | 2,266 | - | **2,266** |
| Loss and total comprehensive income for the period | - | - | (458) | **(458)** |
| Dividend paid | - | - | (92) | **(92)** |
| Closing shareholder s funds at 31 December 2013 | - | 2,266 | (292) | **1,974** |

The accompanying notes are an integral part of this Statement of changes in equity

## BMG FM Music Limited (formerly Rosetta FM Limited)

## Statement of cash flows
## Period ended 31 December 2013

| | Note | Period from 1 April 2013 to 31 December 2013 £'000 | Year ended 31 March 2013 £'000 |
|---|---|---|---|
| **Net cash from operating activities** | 16 | (11) | 408 |
| **Net cash (used in)/from investing activities** | | - | - |
| **Cash flows from financing activities** | | | |
| Investment revenue | | - | 5 |
| Dividends paid | | (92) | (298) |
| **Net cash used in financing activities** | | (92) | (293) |
| **Net (decrease)/increase in cash and cash equivalents** | | (103) | 115 |
| Cash and cash equivalents at the beginning of the period | | 135 | 20 |
| **Cash and cash equivalents at the end of the period** | | 32 | 135 |

The accompanying notes are an integral part of this Statement of cash flows

# BMG FM Music Limited (formerly Rosetta FM Limited)

## Notes to the financial statements
## Period ended 31 December 2013

**1 Accounting policies**

BMG FM Music Limited (formerly Rosetta FM Limited) (the "Company") is a Company incorporated in the United Kingdom

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

**Basis of preparation**

The financial statements are presented in pounds sterling They are prepared on the historical cost basis

These financial statements have been prepared in accordance with the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (' IFRS") as issued by the European Union ("EU")

These financial statements represent the first annual financial statements of the Company prepared in accordance with IFRS as issued by the EU The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards The first date at which IFRS was applied was 1 April 2011

Line-by-line reconciliations to show the effect of the transition from UK GAAP to IFRS are not presented as there was no impact on equity, earnings and comprehensive income and the statement of financial position as at 31 March 2013, 31 March 2012 and 1 April 2011 and the statement of comprehensive income for the year ended 31 March 2011 IFRS 1 requires the inclusion of three statements of financial position The company has not complied with the requirement to disclose the opening financial position of the first period of adoption of IFRS as there has been no impact on the financial position as a result of this adoption

The preparation of financial statements in conformity with IFRS which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an on-going basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 to 4 BMG FM Music Limited has net current liabilities of £479,000 at 31 December 2013 The directors have considered the financial resources available along with the future plans for the Company and the support provided by the intermediate holding company BMG Rights Management (UK) Limited when considering the going concern of the Company After making enquiries, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements The ultimate parent Company has confirmed its continued support of the Company

# Notes to the financial statements
# Period ended 31 December 2013

**1 Accounting policies (continued)**

**Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the statement of comprehensive income Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined

**Intangible assets**

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each statement of financial position date Other intangible assets are amortised from the date they are available for use The estimated useful lives are as follows

| | |
|---|---|
| Music catalogue | 25 years |

**Impairment excluding inventories and deferred tax assets**

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount Impairment losses are recognised in the statement of comprehensive income

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss

# Notes to the financial statements
# Period ended 31 December 2013

**1. Accounting policies (continued)**

**Calculation of recoverable amount**

The recoverable amount of the Company's receivables earned at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i e the effective interest rate computed at initial recognition of these financial assets) Receivables with a short duration are not discounted

The recoverable amount of other assets is the greater of their net selling price and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs

**Reversal of impairment**

An impairment loss in respect of receivable earned at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised

An impairment loss in respect of goodwill is not reversed

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

**Trade and other receivables**

Trade and other receivables at the statement of financial position date are stated at amortised cost which approximates to cost less impairment losses

**Trade and other payables**

Trade and other payables to group companies include the group cash pooling financing facility with the parent Company in Germany The facility bears interest at margin above the 3 month LIBOR market rate Trade and other payables are stated at amortised cost which approximates to cost

**Revenue**

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and value added tax

Revenue from royalty licensing is recognised in accordance with IAS 18 Where revenue streams have a forward visibility revenue is recognised on an accruals basis If there is no or minimal forward visibility of revenue streams it is not possible to measure the revenue streams reliably until cash is collected

# Notes to the financial statements
# Period ended 31 December 2013

**1. Accounting policies (continued)**

**Music publishing royalties**

Music publishing royalties derived from the inclusion of the Company's copyrights on recorded music products or from performance are recognised when they are earned by the Company from the relevant collection society or record Company The Company considers that it can most reliably measure such royalties following receipt of cash or a statement

Where the Company receives advances which are recoupable from future sales or profits, or are otherwise conditional on continued performance of duties by the Company, these are recorded as liabilities Revenue is recognised as it is earned

Advance payments to artists are carried forward within other receivables where they relate to proven artists and where it is estimated that sufficient future income will be recouped against those advance payments The advance payments should be written off if these are not covered by future income In case of unproven contract the advance payments should be immediately written off Any other royalty licensing income is recognised on a cash basis

**Net financing costs**

Net financing costs comprise interest payable and interest receivable on funds invested Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method

**Taxation**

Tax for the period comprises current and deferred tax Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

**Critical accounting judgements and key sources of estimation uncertainty**

The following are the critical judgements apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements

The Company uses estimates to calculate the writer royalties due for the second half of the period for all the royalty receipts and Company used industry standard rates estimate the royalties' accruals

Writer advances provisions were made during the period based on calculation used across the group

1. **Accounting policies (continued)**

**New and amended standards adopted by the company**

The following standards have been adopted by the company for the first time for the financial period beginning 1 April 2013, but do not have a material impact on the company

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments)

Amendment to IFRS 7, 'Financial instruments Disclosures', on asset and liability offsetting This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles

IFRS 13, Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13

**New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements None of these is expected to have a significant effect on the financial statements of the company

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities IFRS 9 was issued in November 2009 and October 2010 It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments IFRS 9 requires financial assets to be classified into two measurement categories those measured as at fair value and those measured at amortised cost The determination is made at initial recognition The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument For financial liabilities, the standard retains most of the IAS 39 requirements The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch

# Notes to the financial statements
# Period ended 31 December 2013

## 2 Revenue

An analysis of the Company's revenue is as follows

| | Period from 1 April 2013 to 31 December 2013 £'000 | Year ended 31 March 2013 £'000 |
|---|---|---|
| UK | 1,007 | 3,989 |
| North America | 1 | - |
| | 1,008 | 3,989 |

The operations of the Company take place wholly in the United Kingdom Revenue was derived principally from activities conducted within the United Kingdom The Company does not have any separable operating segments All assets used by the Company are held in the United Kingdom

## 3. (Loss)/profit from operations

(Loss)/profit from operations has been arrived at after charging

| | Period from 1 April 2013 to 31 December 2013 £'000 | Year ended 31 March 2013 £'000 |
|---|---|---|
| Amortisation of intangible assets | 63 | - |
| Auditors remuneration | - | 10 |
| Net foreign exchange loss | 1 | - |

The audit fee of £16,000 was borne by BMG Rights Management (UK) Limited

## 4. Employee costs and directors' remuneration

The directors received no remuneration from the Company for services during the period (March 2013 £nil)

The Company did not have any other employees and as a result incurred no staff costs (March 2013 £nil)

# Notes to the financial statements
# Period ended 31 December 2013

## 5 Finance costs/investment revenue

| | Period from 1 April 2013 to 31 December 2013 £'000 | Year ended 31 March 2013 £'000 |
|---|---|---|
| Bank interest | 1 | 5 |
| Interest payable to group companies | (2) | - |
| | (1) | 5 |

Finance cost and investment revenue represent interest charged and received from the parent company and other related parties in respect of loan and cash pooling facilities provided

## 6 Taxation

| | Period from 1 April 2013 to 31 December 2013 £'000 | Year ended 31 March 2013 £'000 |
|---|---|---|
| **Current taxation** | | |
| Current period | (80) | 80 |
| Group relief surrendered | (59) | - |
| **Total tax (credit)/expense** | (139) | 80 |

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013 Accordingly the Company's profits are taxed at an effective rate of 23 25% (March 2013 24%)

As a result of changes to the UK main corporation tax rate that were enacted during the period, the deferred tax balances have been re-measured The tax rate has fallen to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015

The credit for group relief represents amounts receivable from fellow UK subsidiaries of the Bertelsmann group in respect of current year tax losses surrendered in the United Kingdom

There are no unrecognised deferred tax assets or liabilities (March 2013 £nil)

# Notes to the financial statements
# Period ended 31 December 2013

**6 Taxation (continued)**

The tax expense/(credit) for the period can be reconciled to the (loss)/profit per the statement of comprehensive income as follows

**Tax reconciliation**

| | Period from 1 April 2013 to 31December 2013 £'000 | Year ended 31 March 2013 £'000 |
|---|---|---|
| (Loss)/profit before taxation | (597) | 334 |
| Tax using the UK corporation tax rate of 23 25 % (March 2013 24%) | (139) | 80 |
| **Total tax (credit)/expense** | (139) | 80 |

**7. Intangible fixed assets**

| | Music catalogues £'000 |
|---|---|
| **Cost** | |
| As at 1 April 2012 | - |
| Additions | - |
| As at 31 March 2013 | - |
| Additions | 2,516 |
| As at 31 December 2013 | 2,516 |
| **Accumulated amortisation** | |
| As at 1 April 2012 | - |
| Charge for the year | - |
| As at 31 March 2013 | - |
| Charge for the period | 63 |
| As at 31 December 2013 | 63 |
| **Net book value** | |
| As at 31 December 2013 | 2,453 |
| As at 31 March 2013 | - |

The amortisation charge is recognised in the statement of comprehensive income under the line administrative expenses

At 31 December 2013 the useful life of the catalogues was 24 years

# Notes to the financial statements
# Period ended 31 December 2013

## 8 Trade and other receivables

| | 31 December 2013 £'000 | 31 March 2013 £'000 |
|---|---|---|
| **Due within one year** | | |
| Trade receivables | 653 | 33 |
| Other receivables | 339 | - |
| Trade and other receivables from group companies | 523 | 1,900 |
| Group relief debtor | 59 | - |
| Corporation tax repayable | 80 | - |
| | 1,654 | 1,933 |

Included in trade debtors are certain amounts relating to writer advances that may not be recovered within one year

## 9 Cash and cash equivalents

| | 31 December 2013 £'000 | 31 March 2013 £'000 |
|---|---|---|
| Cash at bank | 32 | 135 |

## 10 Trade and other payables

| | 31 December 2013 £'000 | 31 March 2013 £'000 |
|---|---|---|
| **Due within one year** | | |
| Trade and other payables | 1,708 | 684 |
| Trade and other payables to group companies | 305 | - |
| Other taxes and social security costs | 30 | 50 |
| Accruals and deferred income | 122 | 1,076 |
| | 2,165 | 1,810 |

Trade and other payables to group companies include the group cash pooling facility balance with the parent company

# BMG FM Music Limited (formerly Rosetta FM Limited)

## Notes to the financial statements
## Period ended 31 December 2013

**11 Employee benefits**

**Defined contribution plan**

During the period ended 31 December 2013 the Company had no employees

**12. Share capital**

| | 31 December 2013 £'000 | 31 March 2013 £'000 |
|---|---|---|
| **Issued and fully paid·** | | |
| 100 ordinary shares of £1 each | - | - |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

**13 Financial instruments**

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business

***(a) Fair values of financial instruments***

*Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material

*Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material

*Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand  Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date

*Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date

# Notes to the financial statements
# Period ended 31 December 2013

## 13. Financial instruments (continued)

*Fair values*

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the statement of financial position are as follows

| | 31 December 2013 | | 31 March 2013 | |
|---|---|---|---|---|
| | Carrying amount £'000 | Fair value £'000 | Carrying amount £'000 | Fair value £'000 |
| Trade receivables | 653 | 653 | 33 | 33 |
| Other receivables | 339 | 339 | - | - |
| Trade and other receivables from group companies | 523 | 523 | 1,900 | 1,900 |
| Group relief debtor | 139 | 139 | - | - |
| Cash and cash equivalents | 32 | 32 | 135 | 135 |
| Trade and other payables | (1,708) | (1,708) | (684) | (684) |
| Trade and other payables to group companies | (305) | (305) | - | - |
| Accruals and deferred income | (122) | (122) | (1,076) | (1,076) |
| Other taxes and social security costs | (30) | (30) | (50) | (50) |
| | (479) | (479) | 258 | 258 |
| **Unrecognised gains/losses** | | | | - |

### *(b) Credit risk*

*Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers

The Company's principal financial assets are bank balances and trade receivables which represent the Company's maximum exposure to credit risk in relation to financial assets The Company bears the bad debt risk on all debtors The Company's management make assessments on new customers before work is earned out, based on their knowledge of the industry and the customer's acceptance of imposed credit terms

The amounts presented in the statement of financial position are net of allowances for doubtful receivables after taking into consideration the amount of balances covered by the Company's credit insurance policy These have been estimated by the Company's management based on prior experience and their assessment of the current economic environment

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure Therefore, the maximum exposure to credit risk at the statement of financial position date was £652,563, being the total of the carrying amount of trade receivables, shown in the table above

# Notes to the financial statements
# Period ended 31 December 2013

**13. Financial instruments (continued)**

*Financial assets and impairment losses*

The ageing of trade receivables at the statement of financial position date was

| | 31 December 2013 | | | 31 March 2013 | | |
|---|---|---|---|---|---|---|
| | Gross trade receivables £'000 | Doubtful debt provision £'000 | Net trade receivables £'000 | Gross trade receivables £'000 | Doubtful debt provision £'000 | Net trade receivables £'000 |
| Not past due | 653 | - | 653 | 33 | - | 33 |

*(c) Liquidity risk*

*Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

Liquidity is managed by group via the cash pooling facility

*(d) Market risk*

*Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments

*Market risk - Foreign currency risk*

A proportion of sales and purchases are invoiced in foreign currency (Euros) and the Company bears the foreign currency risk on these debtors and creditors

*Sensitivity analysis — Foreign currency risk*

Company did not issue many foreign currency invoices during the period and so exposure to foreign currency risk is minimal

*Market risk – interest rate risk*

The Company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the Bank of England base rate The Company utilises a group cash pooling facility, on which interest is charged at variable rates, based on the 3 month LIBOR market rate

*Sensitivity analysis – interest rate risk*

A change of one percent in interest rates at the statement of financial position date would have increased the loss by the amounts shown below This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date

This analysis assumes that all other variables in particular foreign currency rates, remains constant and considers the effect of financial instruments with variable interest rates

At the period end it is estimated that an increase of one percentage rise in the 3 month LIBOR market rate would increase the Company's loss before taxation by approximately £2,000

# Notes to the financial statements
# Period ended 31 December 2013

## 14. Related parties

**Identity of related parties**

The Company's ultimate parent company and group is the international media company Bertelsmann SE & Co KGaA The Company had a related party relationship in the period with subsidiaries of the Bertelsmann SE & Co KGaA, and with its directors and executive officers

**Related party transactions**

During the period the Company entered into the following transactions with related parties The transactions were priced on an arm's length basis

| | Trade balances receivable/(payable) | |
|---|---|---|
| | 31 December 2013 £'000 | 31 March 2013 £'000 |
| BMG Rights Management (UK) Limited | 320 | - |
| BMG VM Music Limited | 30 | - |
| Stage Three Music Publishing Limited | (132) | - |
| **Total** | 218 | - |

In addition to the above transactions, the Company sold assets for £nil (March 2013 £nil) to BMG Rights Management GmbH

## 15 Ultimate parent company and controlling party

The immediate parent company is Stage Three Music (Catalogues) Limited, a company incorporated in the United Kingdom The ultimate parent company is Bertelsmann SE & Co KGaA

The results of the Company are included in the consolidated financial statements of Bertelsmann SE & Co KGaA which is registered at Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany These consolidated financial statements are publicly available

No other group financial statements include the results of the company

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# BMG FM Music Limited (formerly Rosetta FM Limited)

## Notes to the financial statements
## Period ended 31 December 2013

**16. Notes to the cash flow statement**

**Cash flows from operating activities**

| | Period from 1 April 2013 to 31 December 2013 £'000 | Year ended 31 March 2013 £'000 |
|---|---|---|
| (Loss)/profit before taxation | (597) | 334 |
| Adjustment for | | |
| Amortisation | 63 | - |
| Management fees | 173 | - |
| Investment revenue | - | (5) |
| Finance costs | 2 | - |
| Operating profit/(loss) before movements in working capital and provisions | (359) | 329 |
| Decrease/(Increase) in receivables | 691 | 454 |
| (Decrease)/Increase in payables | (343) | (338) |
| Cash generated from operations | 348 | 445 |
| Tax paid | - | (37) |
| **Net cash from/(used in) operating activities** | (11) | 408 |